STRATEGIES/FISCAL

POLICIES

STRATEGIC AND FISCAL POLICIES

A number of County policies provide the context for developing the spending priorities in any given year. Two of the major policies are the County Administration's global vision – *Livable Communities* – and various fiscal policies. The *Livable Communities* vision provides the basis for the spending priorities, while the fiscal policies ensure accomplishing these spending priorities within the framework of sound financial management policies and practices. These policies are the foundation of both short-term and long-term planning decisions. The sections below summarize these policies.

STRATEGIC POLICIES

Livable Communities - The Vision

Livable Communities means a community that is culturally and geographically diverse, proudly progressive, united for educational excellence, committed to vibrant economic development and dedicated to the preservation of natural and historic resources. A community that we all can be proud to call home and one that is attractive to live, work, learn, play, worship, stay healthy and grow old in. The County uses an integrated management system, *Charter for Change*, to support the facilitation of this vision.

In order to transform the vision into a reality, the County will focus resources on seven major priority areas. These areas are:

1. **Education**
2. **Public Safety**
3. **Health and Human Services**
4. **Transportation**
5. **Environment**
6. **Housing and Community Development**
7. **Economic Development**

Livable Communities is the vision that will guide, support, and assist the government, residents and businesses of Prince George's County. There are four essential components to the plan:

1. **Esthetically Pleasing -** Work to ensure that the County is free of litter and other debris and that it is truly an attractive place to live, work or visit.

2. **Safety -** To make certain that there are safe streets and communities to enhance the quality of life for the residents of Prince George's County.

3. **Educational Excellence** - To create a learning environment that guarantees every child in Prince George's County has the opportunity to grow and prosper as a student.

4. **Economic Vibrancy** - Provide an atmosphere within the County that will encourage businesses to invest in the community.

Charter for Change 2.0 - Strategic Plan and Performance Management

The strategic plan provides a logical approach to implementation and resource allocation for the County's Livable Communities Initiative. The Prince George's County strategic plan and performance management is an integrated system known as Charter for Change (CFC). Charter for Change is a systematic approach that provides a venue for the County's leadership team to begin and/or continue the development of collaborative relationships. It also allows the team to discover opportunities for collaborative partnerships between the departments to achieve interdependent missions, provide a forum for open dialogue and "out of the box" strategic discussions and to provide guidance on implementation. In the Fall of 2006, the Office of Management and Budget (OMB) was authorized to implement the next phase of Charter for Change - Charter for Change 2.0. Under this direction, OMB is responsible for assisting departments and agencies in aligning their annual budgetary and operational priorities with a clear and meaningful multi-year performance management plan that ultimately supports Livable Communities. The Charter for Change (CFC) 2.0 represents a continuous improvement process.

The first phase included interactive training sessions with departments and agencies in which participants reviewed best practices in strategic planning and performance measurement and began to update their existing strategic statements (mission statement, goals, objectives, and performance measures). These training sessions occurred over a three-week period in September and October 2006. The purpose of these sessions was to begin the process of improving County strategic statements that would ultimately become them more relevant and useful for County decision-makers and stakeholders.

An important new component of the first phase of Charter for Change 2.0 was the assessment and grading of individual agency Charter for Change 2.0 Performance Management plans that were developed through and after the training sessions. These assessments allowed OMB to provide immediate feedback to departments and agencies regarding the format and relevancy of their strategic statements and areas needing improvement. These assessments also serve as a tool to determine what type of specialized assistance certain agencies require to improve their strategic statements.

Based on the assessments, many agencies made substantial improvements between the draft plans and the final plans. The contents of the plans are reflected in the agency budget sections (mission, goals, objectives, and measures). It should be noted that as a result of many agencies developing or revising their goals, objectives and measures there are several instances where not yet available. The plans will become more available in future years as agencies continue to move towards a strategic and performance management-focused budget model. OMB will continue to work with agencies over the next year with an emphasis on meaningful performance measurement data (the results or outcomes).

CFC 2.0 centers on the following questions that guide the Livable Communities Initiative:

(1) How are we relevant to Livable Communities?
(2) Based on customer needs, which operations and services are essential?
(3) What kind of impact do we want to make?
(4) How will we know we have done it well?
(5) How do we know what resources we need next fiscal year?

Livable Communities Programs and Services

Below are the components of the Livable Communities Initiative and the highlights of major investments in the approved FY 2008 budget for the 7 elements of the *Livable Communities* vision.

1. Education

Education is the County's highest priority. It plays a critical role in determining the quality of life for our citizens. A livable community does not exist unless there is a first-class school system to educate our children. The FY 2008 budget includes $1.66 billion in funding for the Board of Education, an increase of $161.8 million over the FY 2007 approved budget. County funding increases by $13.6 million in FY 2008. The remainder of the increase comes primarily from State funding through the Bridge to Excellence in Public Schools Act formula. Funding for the Board will constitute close to 62.8% of all General Fund spending in FY 2008. This increase will allow for smaller class sizes, reward the hard-working teachers and administrators and the expansion of early childhood programs.

The County will also make significant investments in a number of school construction projects in FY 2008. Funds are provided in the capital budget for the Oxon Hill High School Replacement and the Greenbelt Middle School renovation as well as new classroom addition wings at Potomac High School and Northview Elementary School. The County continues to commit funds to rebuild aging infrastructure since most County schools were constructed before 1970.

2. Public Safety

Public Safety is another vital aspect of the County's Livable Communities Initiative. It is essential that the County respond quickly and efficiently to emergencies, while also working on a daily basis to maintain a safe community. The terrorist attacks of 2001 highlighted the need for increased emphasis on planning and preparedness as well as regional and local collaboration. The County is creating a comprehensive approach to homeland security by coordinating the responses of all government agencies and increasing the community presence of police officers and other public safety officers.

The FY 2008 budget aligns with this comprehensive approach by providing resources to protect National Harbor, implement a new generation interoperable radio system, increase correctional facility capacity and increase public safety staffing. The Police Department will conduct four new recruit classes in FY 2008 resulting in 113 new recruits. These additional officers will facilitate a Community-Oriented Policing model wherein each officer has approximately 1,500 citizens per beat allowing citizens and officers to cooperatively reduce crime. The Office of Homeland Security has been provided funds to hire eight call takers to support the 9-1-1 center functions. The Office of the Sheriff budget includes 12 new deputy positions to support the office's new responsibilities as domestic violence and school resource officers. The Fire/EMS Department has been provided funding for 10 firefighters/paramedics for FY 2008 to support increased service demands. The Department of Corrections will increase by 28 new positions, including 23 sworn positions for inmate security due to increases in inmate population.

3. Health and Human Services

New initiatives in FY 2008 in Health and Human Services include additional funding for the School Based Wellness Program in the Health Department. In addition, the Department of Social Services will increase capacity at the County's Family Emergency Shelter for intact homeless families, will provide outreach and counseling services to troubled and at risk youth as part of the recommendation of the Bi-County Anti-Gang Task Force and will increase the number of women served in the Healthy Start program, a collaborative program that serves first-time expecting women under 25 years of age. The FY 2008 budget also continues the County funded assistance program for senior citizens.

4. Transportation

The Department of Public Works and Transportation (DPW&T) will continue to fully fund ***TheBus***, para-transit and other mass transit services to meet the needs of the citizens for flexible, reliable transportation service. In FY 2008, DPW&T will receive $2.2 million additional funding for operating the County transit service ***TheBus***, and $2.9 million in CIP for purchasing heavy duty buses. The Department will continue implementing the second phase of the Transit Technology Implementation Plan, which includes customer scheduling systems for the Call-A-Bus Program and the installation of an Automatic Vehicle Locator (AVL) system on a segment of vehicles and CCTV cameras on all ***TheBus*** vehicles.

5. Environment

The Department of Environmental Resources (DER) will continue its efforts in code enforcement and construction inspection with the addition of 21 new inspector positions. Additional funding will be provided in the Enterprise Funds for landfill heavy equipment replacement and the creation of three new positions to maintain and enhance floodplain and stormwater management.

6. Housing and Community Development

Another important component of the Livable Communities Initiative is housing and community development where the goal is to promote and increase the supply of quality affordable housing by creating safe, well-planned and attractive communities.

In FY 2008, the Administration will continue its efforts to revitalize the County's inner beltway communities. Some of the major development projects continuing include the Gateway Arts and Entertainment District, Bladensburg Town Center, Palmer Park Senior Village, International Corridor in Langley Park and the facilitation of transit oriented development around the Addison Road Metro station. In FY 2007, the Administration fulfilled its commitment to County residents and completed the acquisition, relocation and demolition phases of the Suitland Manor project. The County will move toward the complete redevelopment and revitalization of this site in FY 2008. Moreover, funds have been budgeted for the African American Museum in North Brentwood. These monumental efforts are the results of strong partnerships between public, private and non-profit organizations and continued funding through Federal, State and local agencies.

7. Economic Development

Economic Development is a vital component of Livable Communities' commitment to ensure a high quality of life and the long-term viability of Prince George's County. In FY 2008, the County continues to invest significant funds in three economic development-related agencies that work to attract, retain and expand businesses, revitalize our established communities, promote the County's tourism activities and provide financial assistance to businesses. The Economic Development Corporation (EDC) will receive $2.9 million to continue their marketing and public relations efforts, small business initiatives, job training and travel program to leverage County resources and promote the County abroad. EDC has successfully established its international economic development strategy and will continue to strengthen this crucial aspect of economic development in FY 2008. Additionally, EDC will also use its increased resources to support youth employment and workforce development services in the County.

The Financial Services Corporation will receive $680,000 in FY 2008 to continue support of their work reaching out to local businesses to help them find the financing resources necessary to make sound business decisions. The Prince George's County Conference and Visitor's Bureau is receiving $866,600 to help promote tourism in Prince George's County.

In FY 2008, phase one of the National Harbor Project will open. This project is projected to be the largest convention center and hotel complex on the eastern seaboard and the largest development in the history of Prince George's County.

FISCAL POLICIES

A number of County policies provide the guidance for planning and developing the budget in any given year. These fiscal policies are developed to ensure that resources are allocated efficiently to help achieve the mission and goals of the government while maintaining long-term financial stability of the organization.

1. **Keep the County in a Strong Financial Condition.** The County will continue to maintain sound cash management, financial management and service management. Fiscal year budgets must be closed with a balanced or surplus status. The County has to follow policies to maintain a healthy balance sheet and to maximize cash management strategies.

2. **Maintain Sound Cash Management.**

- **Maintain a General Fund Contingency Reserve.** A Charter amendment adopted by the voters in November 2002 requires that the County maintain a contingency reserve for the General Fund to be used as a possible source of funding in the event the County Council enacts emergency appropriations in response to unforeseen events. The reserve requirement is 5% of the General Fund budget. The County expects to maintain the required balance in the contingency reserve of $120.4 million in FY 2007 and $131.8 million in FY 2008.

- **Maintain a General Fund Operating Reserve.** To ensure a reasonable degree of stability in its programs over the long run, the County must have the budgetary flexibility to deal with events that can create instability such as economic fluctuations, State and Federal policy changes and varying service needs. The County policy is to retain an operating reserve equal to at least 2% of the General Fund budget in addition to the Contingency Reserve. This reserve is a continuing and non-lapsing source of unappropriated funds that can be used to offset the impact of budget emergencies or as a funding source for expenditures that the County Executive and County Council determine would benefit the citizens of Prince George's County. The FY 2008 operating reserve is projected to be $52.7 million. In addition, there will be undesignated reserves of approximately $105.4 million. Combining the contingency and operating reserves and undesignated fund balance, the County will set aside $ 289.9 million in FY 2008.

- **Maintain Fund Balance Reserves in Other Funds.** A number of important government functions are financed through funds other than the County's General Fund, most notably the County's enterprise funds, internal service funds and special revenue funds. (These fund types are described more fully in the budget guide section of this document.) Although these funds are designed to be self-sustaining, they must contend with certain special factors that threaten their financial stability: they are much smaller than the General Fund; they support specific, limited services; and they tend to rely on a narrower and less diverse set of revenue sources. The Stormwater Management Enterprise Fund, for instance, receives over 85% of its monies from an ad valorem property tax, making this fund extremely vulnerable to fluctuations in that single revenue source. To minimize fiscal volatility in these funds, County policy calls for maintaining reserve levels in each fund group that will not exceed 5-10% in all internal service funds and 25% in all enterprise funds. The County will also strive to maintain a positive fund balance in all special revenue funds.

- **Maintain Sound Debt Management.** The County is committed to keeping its debt level low despite the rising needs for capital projects. Prince George's County debt level remains well below its self-imposed and statutory limits. The Article 25A of the Annotated Code of Maryland states that the aggregate amount of indebtedness outstanding at the time of issuance shall not exceed 6% of the County's assessable base of real property and 15% of the County's assessable base of personal property. In recent years, the County has successfully kept its net direct debt to assessable value ratio below 2%. It was 1.3% in FY 2006 based on full market value. County policy also requires that the ratio of debt service to General Fund expenditures not exceed 8%. For the past ten years, the ratio has stayed below 4.0%, and it was 3.0% in FY 2006. The anticipated bond sales in FY 2008 will be conducted in accordance with the County's debt policies. The County also follows a strategy of retiring debt rapidly. As of June 30, 2006, the County had 67.9% of its net tax-supported debt scheduled to be retired in the next ten years. In addition, the County has been utilizing alternative resources other than general fund revenue to fund capital projects. It plans to continue to include pay-go capital in its future CIP programs to fund one-time costs.

3. **Maintain Sound Financial Management.**

- **Use Conservative Assumptions in Forecasting Revenue Growth.** The fiscal integrity of a government is heavily dependent on the extent to which actual revenues meet or exceed budgeted amounts. It is, therefore, essential that conservative assumptions be used in forecasting revenues.

- **Respond Prudently to Revenue Growth.** Updated revenue estimates indicate that revenue growth remains strong but shows signs of slowdown. In particular, some one-time gains from surging real estate-related revenues will likely dissipate in the near future. The County will continue its policy of monitoring and responding prudently to revenue growth.

- **Rely on Continuing Revenue Sources.** Over the long run, a local government's fiscal health is greatly dependent on its ability to pay for current expenses with current revenues. Recurring expenditures should be funded from a stable stream of income, such as taxes, service charges and intergovernmental revenues, with little or no reliance on one-time sources. Non-recurring monies will be allocated primarily to non-recurring expenditure items.

- **Allocate Revenues in Keeping with County Priorities.** Excluding outside revenues for educational agencies County-source revenues in FY 2008 are projected to increase by 7.9% from the FY 2007 budget. These revenues are specifically targeted to the major priorities of the Livable Communities initiative. This policy has to be carried out while satisfying legal obligations such as paying debt service and maintaining the 5% Charter-mandated contingency reserve and the 2% operating reserve to provide budgetary flexibility against uncertainties.

- **Maintain Periodic Financial Reporting and Monitoring.** Financial reports in different formats are generated and systematically reviewed each month. Revenue collections and agency spending are monitored on daily basis and projections are updated on a regular basis. The County also closely monitors and analyzes changes in the national and local economies and in Federal, State and local laws in order to take preventative measures in a timely manner against negative impacts. Projections and analytical reports are prepared periodically to facilitate management decisions.

- **Budget for Long-Term Liabilities.** Responsible financial management means looking beyond the next fiscal year to potential liabilities that can impact the County in the out-years. Capital spending (and the operating impacts of capital projects), leave payouts, pension plans, risk management and environmental mandates are just a few of the long-term costs that need to be addressed. It is essential to plan for such potential liabilities early and allocate resources accordingly to ensure that current County budgetary policies and actions or inaction do not lead to unexpected financial burdens that could require fiscally unsound remedies in the years to come.

  The County publishes a six-year capital improvement plan each year. In addition, the County develops six-year revenue and expenditure projections internally on the operating side. Furthermore, based on the multi-year capital (CIP) and operational plans, the County uses comprehensive debt models to determine its annual debt levels and project long-term debt affordability. In addition, the County is proactively making plans to increase its contribution to retiree benefits in order to meet the Governmental Accounting Standards Board (GASB) requirement of funding Other Post Employment Benefits (OPEB) liabilities. In FY 2008, the County will make the first contribution toward achieving the annual required contribution (ARC).

- **Continue Risk Management.** Risk management costs have been increasing in recent years. The County's risk management strategy includes maintaining funding at levels that will provide adequate coverage in the Risk Management Fund. In FY 2008, the County continues its commitment to reduce the Risk Management Fund deficit by fully funding workers' compensation. In addition, the contribution to general fund insurance will increase by $500,000 to $7.5 million. The County's Risk Management Oversight Committee will continue working to review claims experience and provide policy guidance in efforts to control costs.

  Monitor Fringe Benefit Costs. County fringe benefit costs have been increasing, especially in the categories of retirement, pension and health insurance. Prudent fiscal management requires alertness to the forces effecting changes in the pension funds so that current and future liabilities can be met. The County will work diligently with unions in the negotiation process to ensure such goals can be met. In FY 2008, the County will start to implement the first year of a ten-year phase-in plan to fund Other Post-Employment Benefits (OPEB) as promulgated by the Governmental Accounting Standards Board (GASB). The County will strive to maintain a balance between providing quality healthcare services while also considering measures to control costs and limit future cost escalation.